

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name REESE UNITY DISTRICT LIBRARY	County TUSCOLA
Fiscal Year End 12-31-06	Opinion Date 1-22-07	Date Audit Report Submitted to State 2-7-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

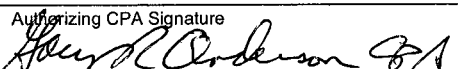
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ANDERSON, TUCKEY, BERNHARDT, & DORAN, P.C.		Telephone Number 989-673-3137	
Street Address 715 E. FRANK ST.		City CARO	State MI
Authorizing CPA Signature 		Printed Name GARY R. ANDERSON	Zip 48723
		License Number 1101005446	

REESE UNITY DISTRICT LIBRARY
Reese, Michigan

FINANCIAL REPORT
December 31, 2006

REESE UNITY DISTRICT LIBRARY

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



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Robert L. Tuckey, CPA
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Jamie L. Peasley, CPA

January 22, 2007

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Reese Unity District Library
Reese, Michigan 48757

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Reese Unity District Library, Reese, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the Library's basic financial statement required by accounting principals generally accepted in the United States of America. These financial statements are the responsibility of the Reese Unity District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in the financial position of its government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Reese Unity District Library's governmental activities are not reasonably determined.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Reese Unity District Library as of December 31, 2006, or changes in its financial position or cash flows where applicable, for the year then ended.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements of Reese Unity District Library, Reese, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
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General Purpose Financial Statements

REESE UNITY DISTRICT LIBRARY
COMBINED BALANCE SHEET -
ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 2006

	<u>GOVERNMENTAL FUND TYPE</u>		<u>ACCOUNT GROUP</u>	<u>TOTALS</u> <u>(MEMORANDUM ONLY)</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE FUND</u>	<u>GENERAL FIXED ASSETS</u>	<u>REPORTING ENTITY</u> <u>2006</u>
<u>ASSETS</u>				
Cash	\$ 83,211	\$ 3,638		\$ 86,849
Building	-		\$ 161,744	161,744
Leasehold improvements			3,500	3,500
Equipment	-		41,838	41,838
TOTAL ASSETS	<u>\$ 83,211</u>	<u>\$ 3,638</u>	<u>\$ 207,082</u>	<u>\$ 293,931</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Deferred revenue	\$ 8,194			\$ 8,194
Payroll liabilities	2,691			2,691
TOTAL LIABILITIES	<u>10,885</u>	<u>-</u>	<u>-</u>	<u>10,885</u>
Fund Equity:				
Fund balance - unreserved	72,326			\$ 72,326
Fund balance - reserved		\$ 3,638		3,638
Investment in general fixed assets			\$ 207,082	207,082
TOTAL FUND EQUITY	<u>72,326</u>	<u>3,638</u>	<u>207,082</u>	<u>283,046</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 83,211</u>	<u>\$ 3,638</u>	<u>\$ 207,082</u>	<u>\$ 293,931</u>

See accompanying notes to financial statements.

REESE UNITY DISTRICT LIBRARY
COMBINED STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:			
Intergovernmental revenue	\$ 4,500	\$ 4,547	\$ 47
Fines	32,000	39,475	7,475
Property taxes	148,561	148,561	-
Miscellaneous	3,625	3,904	279
TOTAL REVENUES	188,686	196,487	7,801
EXPENDITURES:			
Salaries and employee benefits	65,203	57,463	7,740
Library materials	27,225	12,357	14,868
Operational	35,620	23,121	12,499
Capital outlay	7,000	19,821	(12,821)
Miscellaneous	2,707	819	1,888
TOTAL EXPENDITURES	137,755	113,581	24,174
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	50,931	82,906	31,975
OTHER FINANCING SOURCES			
Operating transfers in		1,400	1,400
Operating transfers out	(1,400)	(1,487)	(87)
TOTAL OTHER FINANCING SOURCES (USES)	(1,400)	(87)	1,313
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	49,531	82,819	33,288
FUND BALANCE - BEGINNING	(10,493)	(10,493)	-
FUND BALANCE - ENDING	\$ 39,038	\$ 72,326	\$ 33,288

See accompanying notes to financial statements.

SPECIAL REVENUE FUND			TOTAL (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
			\$ 4,500	\$ 4,547	\$ 47
			32,000	39,475	7,475
			148,561	148,561	-
\$ 3,000	\$ 3,247	\$ 247	6,625	7,151	526
3,000	3,247	247	191,686	199,734	8,048
		-	65,203	57,463	7,740
		-	27,225	12,357	14,868
		-	35,620	23,121	12,499
			7,000	19,821	(12,821)
		-	2,707	819	1,888
-	-	-	137,755	113,581	24,174
3,000	3,247	247	53,931	86,153	32,222
	2,048	2,048	-	3,448	3,448
(3,000)	(1,961)	1,039	(4,400)	(3,448)	952
(3,000)	87	3,087	(4,400)	-	4,400
-	3,334	3,334	49,531	86,153	36,622
304	304	-	(10,189)	(10,189)	-
\$ 304	\$ 3,638	\$ 3,334	\$ 39,342	\$ 75,964	\$ 36,622

**REESE UNITY DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 1 - DESCRIPTION OF DISTRICT LIBRARY OPERATIONS AND FUND TYPES:

The Reese Unity District Library was established effective February 1, 2005, replacing the Unity District Library. The Reese Unity District Library has new boundaries which are the same as the Reese School District. All assets, liabilities and employees of the Unity District Library were transferred to the new Reese Unity District Library.

The District Library is governed by a board consisting of seven members, two appointed by the Reese Village Council and three appointed by the Denmark Township Board and two appointed by the Reese School Board.

Reporting Entity:

In evaluating how to define the Library, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based upon the application of these criteria, the general purpose financial statements of the Reese Unity District Library contain all the funds and account groups controlled by the District's Board as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Library nor is the Library a component unit of another entity.

Basis of Presentation - Fund Accounting:

The accounts of the Library are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

Governmental Funds:

General Fund - The General Fund is the general operating fund of the District Library. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund – Special Revenue Funds are utilized to account for proceeds of specific revenue sources that are legally or board restricted to expenditures for specified purposes.

Account Groups:

General Fixed Asset Group - This account group presents the balance of fixed assets at historical or estimated cost which are not recorded in proprietary type funds.

"Total - (Memorandum Only)":

The "Memorandum Only" total column represents the aggregate total of the various columnar statements by fund types and account groups. This total column is not comparable to a consolidation and, therefore, does not present consolidated information.

**REESE UNITY DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Library considers property taxes as available if they are collected within 60 days after year-end. A one year availability period is used for revenue recognition for all other Library fund revenues susceptible to accrual. Expenditures are recorded when the liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are federal and state grants, special assessments, licenses, interest revenue and charges for services. Fines, permits and sales tax and other state revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Accounting For Capital Expenditures:

General accepted accounting principles applicable to governmental units provides for differing accounting treatment for capital expenditures, dependent upon the category of the funds from which the expenditures is made. In all library funds, including the general fund, capital expenditures are treated in the same manner as other current expenditures in the fund and are then recorded in a "general fixed asset" group of accounts.

Budgets And Budgetary Accounting:

Reese Unity District Library adopts a budget for the General Fund just prior to the beginning of the year. The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts as shown in the financial statements are as originally adopted or as amended by the Board of Trustees. All annual appropriations lapse at fiscal year-end. The Library does not utilize encumbrance accounting.

NOTE 3 - CHANGES IN GENERAL FIXED ASSETS:

A summary of changes in the recorded general fixed assets follows:

	BALANCE JANUARY 1, <u>2006</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	BALANCE DECEMBER 31, <u>2006</u>
GENERAL FIXED ASSETS:				
Building	\$161,744		\$0	\$161,744
Leasehold Improvements	0	\$ 3,500	0	3,500
Equipment	<u>25,517</u>	<u>16,321</u>	<u>0</u>	<u>41,838</u>
TOTAL GENERAL FIXED ASSETS	<u>\$187,261</u>	<u>\$19,821</u>	<u>\$0</u>	<u>\$207,082</u>

REESE UNITY DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS:

Deposits:

At year-end, the bank balances were \$88,555. The carrying amount of the Library's deposits were \$86,849. All of the balance is covered by federal depository insurance. All Library deposits are uncollateralized.

Investments:

The Library does not have any investments as of December 31, 2006.

Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

NOTE 5 - RISK MANAGEMENT:

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library carries commercial insurance to cover any losses that may result from the above described activities.

NOTE 6 – BUDGETS AND BUDGETARY ACCOUNTING:

The Library adopts a budget for the General Fund and Special Revenue Fund prior to the beginning of the year. The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts as shown in the financial statements are as originally adopted or as amended by the Board of Trustees. All annual appropriations lapse at fiscal year-end. The Library does not utilize encumbrance accounting.

NOTE 7 – PENSION PLAN:

The Library does not have a pension plan.

NOTE 8 – GASB 34:

The Library chose not to adopt GASB 34, which is required by the Generally Accepted Accounting Principals (GAAP). This departure from GAAP is also noted in the audit report.

NOTE 9 – SHORT-TERM LOAN:

In August 2005 the Library borrowed \$30,000 from National City Bank for seven months at 4% interest due February 28, 2006. This note was paid in full on January 18, 2006.

NOTE 10 – DEFICIT FUND BALANCE:

For the year ended December 31, 2005, the Library ended the year with a deficit fund balance. This is because it had spent money that was borrowed on a short-term loan. In December, 2005 the Library levied property taxes. The property taxes are not recorded as revenue until 2006. The loan money was repaid in full in January, 2006.

Supplemental Information

REESE UNITY DISTRICT LIBRARY
GENERAL FUND
SCHEDULE OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Intergovernmental:			
State aid	<u>\$ 4,500</u>	<u>\$ 4,547</u>	<u>\$ 47</u>
Total Intergovernmental	<u>4,500</u>	<u>4,547</u>	<u>47</u>
Fines:			
Penal fines	<u>32,000</u>	<u>39,475</u>	<u>7,475</u>
Property taxes	<u>148,561</u>	<u>148,561</u>	<u>-</u>
Miscellaneous Revenues:			
Interest & dividend income		285	285
Miscellaneous income	<u>3,625</u>	<u>3,619</u>	<u>(6)</u>
Total Miscellaneous	<u>3,625</u>	<u>3,904</u>	<u>279</u>
TOTAL REVENUES	<u><u>\$ 188,686</u></u>	<u><u>\$ 196,487</u></u>	<u><u>\$ 7,801</u></u>

See the accompanying notes.

**REESE UNITY DISTRICT LIBRARY
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Salaries & Employee Benefits:			
Salaries	\$ 60,600	\$ 53,146	\$ 7,454
Payroll taxes	4,603	4,317	286
Total Salaries & Employees Benefits	<u>65,203</u>	<u>57,463</u>	<u>7,740</u>
 Library Materials:			
Office supplies	1,125	846	279
Books	9,000	5,401	3,599
Subscriptions	2,000	915	1,085
Audio/video	3,000	-	3,000
Supplies	1,600	713	887
Programs	8,000	1,703	6,297
Memberships, dues, and fees	2,500	2,779	(279)
Total Library Materials	<u>27,225</u>	<u>12,357</u>	<u>14,868</u>
 Operational:			
Advertising			-
Interest	625	693	(68)
Insurance	4,800	5,023	(223)
Utilities and telephone	6,100	4,846	1,254
Repairs and maintenance	3,600	543	3,057
Postage	1,750	600	1,150
Workshops, seminars, and mileage	4,895	1,196	3,699
Technology and system maintenance	11,000	8,019	2,981
Professional services	2,850	2,201	649
Total Operational	<u>35,620</u>	<u>23,121</u>	<u>12,499</u>
Capital Outlay	<u>7,000</u>	<u>19,821</u>	<u>(12,821)</u>
Other Miscellaneous	<u>2,707</u>	<u>819</u>	<u>1,888</u>
TOTAL EXPENDITURES	<u><u>\$ 137,755</u></u>	<u><u>\$ 113,581</u></u>	<u><u>\$ 24,174</u></u>

REESE UNITY DISTRICT LIBRARY
COMBINING BALANCE SHEET-
SPECIAL REVENUE FUNDS
December 31, 2006

	<u>ENDOWMENT FUND</u>	<u>MEMORIAL FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash on hand & in banks	\$ 2,303	\$ 1,335	\$ 3,638
TOTAL ASSETS	<u>\$ 2,303</u>	<u>\$ 1,335</u>	<u>\$ 3,638</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
FUND BALANCE			
Reserved	\$ 2,303	\$ 1,335	\$ 3,638
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,303</u>	<u>\$ 1,335</u>	<u>\$ 3,638</u>

See the accompanying notes.

REESE UNITY DISTRICT LIBRARY
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
SPECIAL REVENUE FUNDS
December 31, 2006

	<u>ENDOWMENT FUND</u>	<u>MEMORIAL FUND</u>	<u>TOTAL</u>
REVENUES:			
Interest income	\$ 9	\$ 8	\$ 17
Memorials and donations	<u>2,551</u>	<u>679</u>	<u>3,230</u>
TOTAL REVENUES	<u>2,560</u>	<u>687</u>	<u>3,247</u>
EXPENDITURES:			
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,560</u>	<u>687</u>	<u>3,247</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		2,048	2,048
Transfers out	<u>(561)</u>	<u>(1,400)</u>	<u>(1,961)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(561)</u>	<u>648</u>	<u>87</u>
EXCESS OF REVENUES & OTHER SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>1,999</u>	<u>1,335</u>	<u>3,334</u>
FUND BALANCE JANUARY 1, 2006	<u>304</u>	<u>-</u>	<u>304</u>
FUND BALANCE DECEMBER 31, 2006	<u>\$ 2,303</u>	<u>\$ 1,335</u>	<u>\$ 3,638</u>

See the accompanying notes.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



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To the Board of Reese Unity District Library

In planning and performing our audit of the financial statements of Reese Unity District Library as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered Reese Unity District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

After considering the qualifications of the accounting personnel of Reese Unity District Library, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the Library, but they do not have the qualifications and abilities to generate financial statements, including the required footnotes, in accordance with accounting principles generally accepted in the United States of America.

This communication is intended solely for the information and use of management, Reese Unity District Library, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.

Caro, Michigan

January 22, 2007 715 East Frank Street, Caro, MI 48723-1647 • 989/673-3137 • 800-234-8829 • Fax 989/673-3375

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